### SESSION PLAN

**COURSE:** ABE Level 5 Effective Financial Management

**ELEMENT:** Element 5 – Investment appraisal

## **LEARNING OUTCOME 5**

Evaluate investment opportunities in order to ensure that investment decisions reflect the needs of the business and its financial management strategy

* 1. Select and justify investment appraisal techniques in order to ensure that investment decisions reflect the financial management strategy of the business
	2. Compare investment appraisal techniques for a range of typical investment scenarios in order to best meet the needs of the business
	3. Analyse relevant non-financial factors, including the limitations of investment appraisal techniques, in order to ensure the investment decision making takes account of the broader strategic needs of the business

**NUMBER OF SESSIONS:** Three - approximately fifteen hours in total, plus self-study

**SESSION TOPICS:** Session 1: Select and justify investment appraisal techniques in order to ensure that investment decisions reflect the financial management strategy of the business

Session 2: Compare investment appraisal techniques for a range of typical investment scenarios in order to best meet the needs of the business

Session 3: Analyse relevant non-financial factors, including the limitations of investment appraisal techniques, in order to ensure the investment decision making takes account of the broader strategic needs of the business

**Note to tutors: this is the recommended session plan for learning outcome 5 of element 5 of the ABE Level 5 Effective Financial Management. You should follow the plan, using the resources (referenced as ‘slides’ here) and activities provided. It is important to enhance all sessions with local examples and case studies, involving the learners ACTIVELY wherever possible.**

### SESSION 1: Select and justify investment appraisal techniques in order to ensure that investment decisions reflect the financial management strategy of the business

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| **Approx.****Duration** | **Topic** | **Tutor Activity** | **Slides** | **Learner Activity** | **Formative Assessment** |
| 4-5 hours | Introduction to session and learning outcomes | Use **UEFM Presentation LO5** Explain the unit, and what is going to be covered.Discuss the nature of investment appraisal techniques and the need to ensure that they reflect the financial management strategy of the business. Play this to help to explain the investment appraisal techniques: <https://www.youtube.com/watch?v=4arxW7nO8zc>**Facilitate E5 LO5 Activity 1** | 1-4 | In small groups, learners should identify what they want to learn from the unit. Set out some personal learning objectivesAsk all learners to describe an organisation with which they are familiar. Ask students to consider which investment appraisal technique(s) might be most appropriate to these organisations. Give them all 5 minutes to do this, and explain that you will be using these organisations as examples throughout the module. | **5UEFM E5 LO5 ACTIVITY 1 –** Investment appraisal |
| The nature and characteristics of different investment appraisal techniques | Explain the nature and characteristics of the following investment appraisal techniques:PaybackAccounting rate of returnNet present value(you may want to extend this beyond the three listed techniques)Look at the study guide for a description of each technique and an overview of their application. Make the differences between the techniques clear. Choose one of the organisations that the students have just described and explain how the nature of these organisations might lend itself to the use of particular investment appraisal techniques.**Facilitate E5 LO5 Activity 2** | 5-8 | Now that you have used the example of an organisation the learners try to do this themselves.Learners try to explain the nature and characteristic of the investment appraisal techniques. Ask learners to develop their understanding of the investment appraisal techniques in the context of the organisations that they selected earlier in the session. Allow them 30 minutes to discuss this in small groups, and then 30 minutes to present back to each other in one large group, | **5UEFM E5 LO5 ACTIVITY 2 –** Nature and characteristics of investment appraisal |
| Advantages and disadvantages of different investment appraisal techniques | Use the study guide. Consider the case study on the advantages and disadvantages of different investment appraisal techniques. Consider Activity 2 on the advantages and disadvantages of different investment appraisal techniques.Play this film the help to explain the advantages and disadvantages of each of the investment appraisal techniques:<https://www.youtube.com/watch?v=9bgGlUnZgl4>Look at the study guide for an outline of the respective advantages and disadvantages of each of the investment appraisal techniques. Use the study guide. Consider Activity 3 entitled ‘which investment appraisal technique is ‘best’’? **Facilitate E5 LO5 Activity 1** | 9-12 | Ask learners to discuss the advantages and disadvantages of the use of each of the investment appraisal techniques. Allow them 30 minutes to discuss this in small groups, and then 30 minutes to present back to each other in one large group, | **5UEFM E5 LO5 ACTIVITY 3 -** Evaluation of investment appraisal techniques |
|  | Review of session and learning outcomes |  |  |  | Students to work through the second section of chapter 5 in the study guide prior to the next session. |

### SESSION 2: Compare investment appraisal techniques for a range of typical investment scenarios in order to best meet the needs of the business

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| **Approx.****Duration** | **Topic** | **Tutor Activity** | **Slides** | **Learner Activity** | **Formative assessment** |
|  4-5 hours |  | Use file: **UEFM Presentation LO5.**  | 13 |  |  |
|  | Calculating payback, accounting rate of return and net present value | Review each of the investment appraisal techniques. Look at the study guide. Consider the case study on the application of investment appraisal techniques. Consider Activity 4 on the application of investment appraisal techniques.**Facilitate E5 LO5 Activity 4****Facilitate E5 LO5 Activity 5** | 14-15 | You have now applied the techniques to an organisation so tell students that they are now going to attempt the same. As a group choose an organisation to study. This could be an organisation that is well known in your country, it could be the organisation where one of the group works or it could be the college where you are studying.Consider how you might obtain the data to apply each of the three investment appraisal techniques to the selected organisation. Allow students 30 minutes to do the analysis, and then 20 minutes to present back in groups.  | **5UEFM E5 LO5 ACTIVITY 4 –** Calculation of payback, ARR and NPV**5UEFM E5 LO5 ACTIVITY 5 –** Investment appraisal case study |
|  | Review of session and learning outcomes |  |  |  | Students to work through the third section of chapter 5 in the study guide prior to the next session. |

### SESSION 3: Analyse relevant non-financial factors, including the limitations of investment appraisal techniques, in order to ensure the investment decision-making takes account of the broader strategic needs of the business

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| **Approx.****Duration** | **Topic** | **Tutor Activity** | **Slides** | **Learner Activity** | **Formative Assessment** |
| 4-5 hours | Investment appraisal techniques and smaller businesses | Use file: **UEFM Presentation LO5** | 16 |  |  |
| Modifications to the net present value technique | Introduce the concept of modifications to the net present value technique. Look at the study guide for an outline of the factors that might need to be considered when applying the net present value technique. Use the study guide. Consider the case study on modifications to the net present value technique and Activity 6 modifications to the net present value technique. **Facilitate E5 LO5 Activity 6** | 17-19 | Use the formative assessment to develop learner understanding of modifications to net present value technique. | **5UEFM E5 LO5 ACTIVITY 6 –** Modifications to net present value technique |
| Non-financial factors and their importance in investment decision making | Introduce the concept of non-financial factors and their importance in investment decision making. Ask learners to consider the qualitative factors that might be important to the organisations that they selected earlier in the session.Play this film the help to the non-financial factors and their importance in investment decision making: <https://www.youtube.com/watch?v=fdfQmR7tzVQ>Look at the study guide for an outline of these non-financial factors that might need to be considered when applying the investment appraisal techniques. Use the study guide. Consider the case study on non-financial factors and their importance in investment decision making. **Facilitate E5 LO5 Activity 7** | 20-21 | Now that you have considered the modifications to the net present value technique, ask the learners try to do this themselves.Learners try to explain the nature and characteristics of the factors that might lead to a need to consider modifications to the net present value technique. Ask learners to develop their understanding of these modifications in context of the organisations that they selected earlier in the session. Allow them 30 minutes to discuss this in small groups, and then 30 minutes to present back to each other in one large groupAsk learners to consider Activity 7 non-financial factors and their importance in investment decision making.Allow them 30 minutes to discuss this in small groups, and then 30 minutes to present back to each other in one large group,Review the factors that they identify in the case study. | **5UEFM E5 LO5 ACTIVITY 7 –** Non-financial factors |
| Review of session and learning outcomes | Ask students to identify and review key learning points from the unit as part of their preparations for the assessment. Conduct revision sessions as required.  | 22 |  |  |